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# GNP by Major Industry, 1972

In 1972, practically all industries in the private nonfarm business sector experienced large output gains and a slowdown in the rates of increase in prices, unit costs, and profit margins. Total real GNP increased 6.4 percent, but the increase for private nonfarm business was 7.7 percent, reflecting substantial increases in manufacturing, trade, transportation, and finance. The implicit price deflator for private nonfarm business rose only 1.9 percent, compared with 4.3 percent in 1971; the overall GNP deflator increased 3.0 percent. The 1972 increases in both deflators were the smallest in 6 years.

Preliminary estimates of 1972 gross national product by industry of origin, in current and constant dollars, appear in table 1. Gross product originating in an industry is a measure of the industry's contribution to GNP, i.e., to the Nation's total output of goods and services. An industry's gross product, its value added (or net output), may be measured as the difference between the value of the industry's total output and the cost of materials and business services purchased by the industry. The same total may also be calculated by summing the industry's payments to the factors of production (employee compensation, profits, etc.) and its nonfactor costs (depreciation, property tax, sales tax, etc.).

### *Changes in real net output*

The large size of the net output gain recorded for the private nonfarm business sector was principally due to the 9.7 percent increase in *manufacturing output*, which accounted for 36 percent of private nonfarm output last year. The gain in manufacturing was the largest since 1962 and about twice the annual average in 1960–70. The 1972 increase in net output of nondurable goods manufacturing was the strongest since 1955 and was almost as large as the 10 percent increase for durables. Moreover, nondurables net output had increased 4 percent in 1971, a sizable gain. Particularly large increases were registered in 1972 for foods and beverages, textiles, paper, chemicals, and rubber and plastics products, reflecting the large gains in both personal consumption and industrial demand. Net output of the durable goods industries had increased little in 1971 but grew strongly in 1972, stimulated by a 14 percent increase in business equipment purchases and by sizable inventory accumulation. Auto production, which had reached a record in 1971, increased further in 1972, and the continued boom in housing favored growth in the stone-clay-glass, lumber, and furniture industries.

Net real product in the other goods-producing industries—*agriculture-forestry-fisheries*, *mining*, and *contract construction*—declined in 1972. Although current-dollar net output in these industries increased substantially, this was not reflected in the real net output

**Table 1.—Gross Product in Current and Constant Dollars and Implicit Price Deflators, by Industry**

| | Gross product in billions of current dollars [1] | | | Gross product in billions of 1958 dollars [1] | | | Index of gross product in 1958 dollars [2] (1958=100) | | | Implicit price deflators [3] (1958=100) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1970 | 1971 | 1972 | 1970 | 1971 | 1972 | 1970 | 1971 | 1972 | 1970 | 1971 | 1972 |
| All industries, total (GNP) | 976.4 | 1,050.4 | 1,151.8 | 722.1 | 748.7 | 789.6 | 181.4 | 185.8 | 170.5 | 135.23 | 141.61 | 145.89 |
| Agriculture, forestry and fisheries | 31.6 | 33.5 | 36.2 | 26.1 | 26.9 | 24.8 | 178.5 | 172.2 | 112.8 | 120.6 | 124.5 | 146.2 |
| Mining | 16.9 | 17.1 | [72.4 | 17.2 | 16.8 | [49.0 | 120.5 | 118.0 | ..... | 97.8 | 101.6 | ..... |
| Contract construction | 46.8 | 50.7 | | 28.5 | 24.0 | | 114.0 | 116.8 | ..... | 197.5 | 210.7 | ..... |
| Manufacturing | 251.8 | 269.9 | 287.6 | 217.6 | 221.4 | 242.0 | 176.1 | 179.1 | 196.5 | 115.2 | 127.4 | 118.2 |
| Transportation | 39.4 | 42.1 | 46.2 | 34.4 | 35.1 | 37.6 | 164.3 | 167.7 | 178.6 | 111.8 | 119.7 | 122.7 |
| Communication | 22.6 | 24.8 | 26.4 | 21.0 | 22.3 | 23.3 | 247.4 | 268.7 | 284.2 | 102.1 | 106.4 | 112.6 |
| Electric, gas, and sanitary services | 23.6 | 26.0 | 27.8 | 21.1 | 22.5 | 23.3 | 197.2 | 210.3 | 217.4 | 106.8 | 111.0 | 118.2 |
| Wholesale and retail trade | 165.3 | 169.8 | 185.2 | 126.8 | 131.9 | 141.3 | 168.8 | 175.5 | 188.1 | 131.2 | 137.1 | 136.3 |
| Finance, insurance, and real estate | 137.6 | 140.7 | 162.6 | 96.8 | 98.8 | 114.0 | 161.6 | 166.9 | 177.4 | 144.0 | 152.5 | 154.3 |
| Services | 113.5 | 122.7 | 136.0 | 68.7 | 69.5 | 73.1 | 160.2 | 161.9 | 170.2 | 165.3 | 176.6 | 185.4 |
| Government and government enterprises | 129.4 | 143.8 | 152.6 | 70.9 | 70.0 | 71.6 | 148.2 | 148.2 | 151.5 | 184.7 | 201.2 | 214.6 |
| Rest of the world | 4.5 | 6.8 | 7.3 | 4.0 | 6.6 | 5.5 | ..... | ..... | ..... | ..... | ..... | ..... |
| Residual [4] | −4.7 | −4.2 | −.8 | −3.2 | −4.3 | −.8 | ..... | ..... | ..... | ..... | ..... | ..... |
| Addenda: | | | | | | | | | | | | |
| Private business sector | 826.3 | 884.7 | 970.6 | 640.7 | 655.5 | 704.3 | 183.2 | 188.1 | 179.0 | 129.0 | 134.9 | 137.7 |
| Nonfarm | 797.3 | 853.9 | 937.1 | 616.0 | 633.0 | 681.5 | 186.1 | 170.7 | 183.7 | 129.4 | 134.8 | 137.5 |
| Farm | 29.9 | 30.9 | 33.4 | 24.7 | 25.5 | 23.4 | 118.6 | 122.6 | 112.1 | 117.0 | 120.8 | 143.1 |

1. Detail may not add to totals because of rounding.
2. Indexes are based on unrounded data.
3. Implicit price deflators are calculated by dividing the total gross product in current dollars by the corresponding gross product in constant (1958) dollars. The calculations use unrounded data and the deflators shown here may therefore differ from deflators computed from published figures.
4. Represents difference between GNP final products minus sum of gross product originating by industries. The difference in current dollars is the "statistical discrepancy."

Note.—Dash line (—) not applicable.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

figures since prices of gross outputs increased more than prices of purchased inputs. The 1972 gain in output of all goods-producing industries was 6.5 percent, about the same as the gain in aggregate real GNP.

After manufacturing, the industry with the largest 1972 output gain was *communication*, an industry noted for its vigorous expansion. Its increase of 8.2 percent was just about equal to its average growth rate in 1960–70.

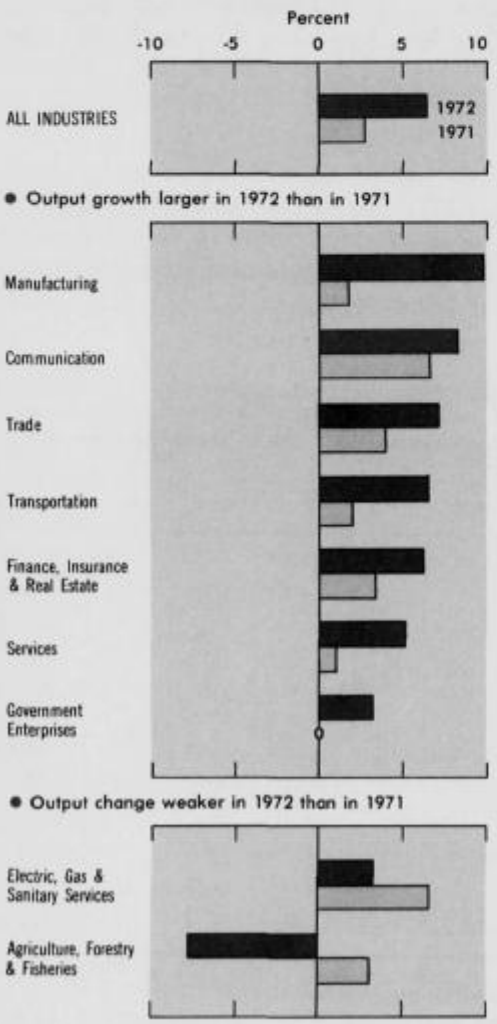
Sharp growth in net output also occurred in 1972 in the *trade*, *transportation*, and *finance-insurance-real estate* industries. Trade output, which accounted for about 21 percent of the private nonfarm sector last year, grew 7.1 percent, considerably above both tha 1971 growth rate and the annual average for 1960–70. Net output of transportation industries increased 6.5 percent, more than three times the 1971 gain and about 1½ times the annual average for 1960–70. The *finance-insurance-real estate* industries registered a net output gain of 6.3 percent, also considerably larger than both the 1971 increase and the 1960–70 average.

The remaining two industry groups—*services*, and *government* and *government enterprises*—recorded net output advances in 1972 smaller than the 6.4 percent increase in aggregate GNP. Nevertheless, the 5.2 percent increase in the service industries' output contrasts sharply with the rise of only 1.1 percent in 1971 and the 3.9 percent average for 1960–70. Output growth in 1972 was considerably larger than in 1971 in practically all of the service industries; the largest 1972 increases were in auto repair, amusements (except motion pictures), medical and health services, and business and professional business services (except legal).

Activity of both the Federal and State and local governments increased slightly in 1972, following no change in the aggregate in 1971. The overall 1972 increase in net output was 2.3 percent compared with an annual average of 3.6 percent in 1960–70.

CHART 8

**Change in Real Output**




### *Price change*

Although the price advance for the total economy in 1972 was considerably smaller than in 1971 and more in line with the 1960–70 average, this was not the situation in every industry group (table 3). Price increases in 1972 ranged from a low of 0.8 percent for *manufacturing* to a high of 17.4 percent for *agriculture-forestry-fisheries*.

In the period 1960–70, the deflators for the farm and nonfarm sectors of the private business economy rose at about the same average annual rates, 2.4 and 2.3 percent, respectively. In 1971, however, and even more in 1972, changes in the two deflators diverged sharply. The 1972 advance in the implicit net output deflator for the farm sector was the largest since 1951; for the nonfarm sector, the rise was the smallest since 1966. The imposition of controls on nonfarm prices, while farm prices were largely exempt, caused farm incomes in current prices to increase relatively more than those in the nonfarm sector. Thus, the price of a unit of gross product rose faster in the farm than in the nonfarm sector.

Other industries in which price increases in 1972 were larger than in 1971 are *electric-gas-sanitary services*, and *communication*. The price advances in these industries and in *services*, *transportation*, and *government* exceeded the 2.5 percent rise in the deflator for the private business economy, and in all of these industries except *transportation* the 1972 price rise was well above the annual average for 1960–70.

An industry's contribution to the increase in the overall price deflator depends not only on the size of its own price advance but also on its weight, i.e., its contribution to total real product. The industries whose deflators registered large increases in 1972 are the relatively minor industries; deflators for industries whose weight in GNP is large, such as manufacturing and trade, show considerably smaller increases in 1972 than in 1971.

### *Unit costs and profits*

In the private nonfarm business sector, prices (the deflator) rose 1.9 percent, unit labor costs advanced 1.7 percent,

**Table 2.—Annual Percent Change in Real Product, by Major Industry**

| | Average annual change 1960–70 [1] | Change from previous year | |
|---|---|---|---|
| | | 1971 | 1972 |
| **All industries, total (GNP) [2]** | 4.0 | 2.7 | 6.4 |
| Agriculture, forestry and fisheries | 1.3 | 3.1 | −7.7 |
| Mining | 2.8 | −2.6 | −2.1 |
| Contract construction | .9 | 2.0 | |
| Manufacturing | 4.6 | 1.7 | 9.7 |
| Transportation | 4.4 | 2.0 | 6.5 |
| Communication | 8.1 | 6.6 | 8.2 |
| Electric, gas, and sanitary services | 5.5 | 6.6 | 3.4 |
| Wholesale and retail trade | 4.4 | 4.0 | 7.1 |
| Finance, insurance, and real estate | 4.1 | 3.4 | 6.3 |
| Services | 3.9 | 1.1 | 5.2 |
| Government and government enterprises | 3.6 | .0 | 2.3 |
| Addenda: | | | |
| Private business sector | 4.1 | 2.8 | 7.0 |
| Nonfarm | 4.2 | 2.8 | 7.7 |
| Farm | 1.3 | 3.3 | −8.5 |

1. Arithmetic average of the 10 annual percent changes.
2. Includes "rest of the world" and the "residual."

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

other unit costs increased by 1.4 percent, and profit per unit of output, based upon preliminary estimates, increased by about 0.8 percent. This slight increase in profit margins was preceded by an increase of 5.4 percent in 1971, the first gain since 1966. Thus, increases in compensation and other costs were partially offset by the large output increase and productivity gains.

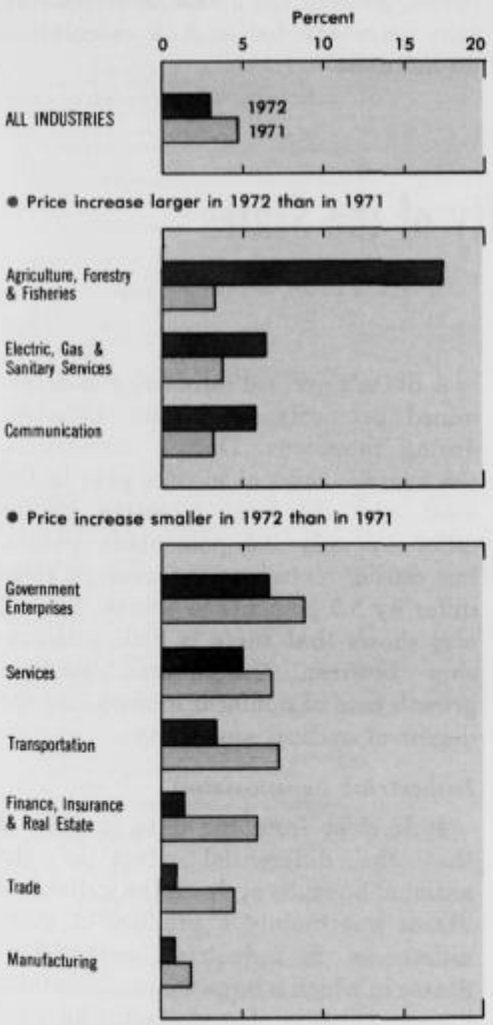
Preliminary 1972 estimates indicate that unit profit margins in the nonfarm sector advanced more in the *manufacturing* industries than in any other industry. The 1972 unit profit margins for the *communication*, and *electric-gas* industries approximated those for 1971, while those for *trade* and *finance-insurance-real estate* declined.

The 1972 rise in unit labor costs was the smallest since 1965. This deceleration stemmed principally from declining rates of increase in such large industries as *manufacturing*, *trade*, and *finance-insurance-real estate*. However, there were marked increases in unit labor costs in 1972 in two industries, *communication* and *electric-gas-sanitary services*. Both industries have been generally noted for having relatively small increases in unit labor costs, but in 1972 their output advances were considerably smaller than their increases in compensation. Output increased 3.4 percent for the utilities and 8.2 percent for communication, while compensation in these industries increased about 11 and 18 percent, respectively. On the other hand, farm unit labor cost increased 9.9 percent, the largest advance in more than a decade. While the compensation component for farm gross product is relatively smaller than for any other industry, the 1972 preliminary estimates also show large gains in proprietor's income.

The 1972 increase in unit labor costs in manufacturing was only 0.1 percent while the rise in nonmanufacturing industries was 2.6 percent.

CHART 9

## Increase in Prices




U.S. Department of Commerce, Bureau of Economic Analysis 73-4-9

**Percent Change in Unit Labor Costs**

| | 1960–70 [1] | 1971 | 1972 |
|---|---|---|---|
| Farm | 1.7 | 1.5 | 9.9 |
| Private nonfarm business | 2.7 | 3.1 | 1.7 |
| Manufacturing | 1.8 | .8 | .1 |
| Nonmanufacturing | 3.4 | 4.7 | 2.6 |

1. Arithmetic average of the 10 annual percent changes.

Unit nonlabor costs, reflecting such overhead items as depreciation, interest, and indirect business taxes, declined slightly in the private nonfarm sector. Decreases were most marked in industries whose output gains were the strongest, e.g., manufacturing. Among the industries where unit nonlabor costs increased, a rise of 8 percent for the utility industry was the largest.

**Table 3.—Annual Percent Change in Implicit Deflators and Unit Labor Costs, By Major Industry**

| | Implicit price deflators | | | Unit Labor costs | | |
|---|---|---|---|---|---|---|
| | Average annual change 1960–70 [1] | Change from previous year | | Average annual change 1960–70 [1] | Change from previous year | |
| | | 1971 | 1972 | | 1971 | 1972 |
| **All industries, total (GNP)** [2] | **2.7** | **4.7** | **3.0** | **3.3** | **3.9** | **2.9** |
| Agriculture, forestry and fisheries | 2.7 | 3.3 | 17.4 | 2.6 | 3.0 | 10.8 |
| Mining | .1 | 3.8 | [3] | 1.3 | 7.5 | [3] |
| Contract construction | 6.6 | 6.7 | [3] | 7.0 | 6.9 | [3] |
| Manufacturing | 1.2 | 1.8 | .8 | 1.8 | .8 | .1 |
| Transportation | 1.1 | 7.3 | 3.3 | 1.1 | 5.7 | 3.0 |
| Communication | .0 | 3.2 | 5.8 | .1 | 3.0 | 9.8 |
| Electric, gas, and sanitary services | .4 | 3.8 | 6.5 | 1.0 | 2.7 | 7.5 |
| Wholesale and retail trade | 2.5 | 4.5 | .9 | 2.7 | 3.3 | 1.3 |
| Finance, insurance, and real estate | 3.2 | 5.9 | 1.5 | 4.2 | 6.9 | 3.2 |
| Services | 4.5 | 6.8 | 5.0 | 5.3 | 7.6 | 5.6 |
| Government and government enterprises | 5.4 | 8.9 | 6.6 | | | |
| Addenda: | | | | | | |
| Private business sector | 2.3 | 4.1 | 2.5 | 2.6 | 3.1 | 2.3 |
| Nonfarm | 2.3 | 4.3 | 1.9 | 2.7 | 3.1 | 1.7 |
| Farm | 2.4 | 3.2 | 18.5 | 1.7 | 1.5 | 9.9 |

1. Arithmetic average of the 10 annual percent changes.
2. Includes "rest of the world" and the "residual".
3. Data not shown separately but included in totals.

NOTE.—Dash line (....) not applicable.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.